

Alternative Marketing Models in the Fresh Vegetable Industry

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HIGHLIGHTS

- ✓ The alternative market chains are shorter, empower farmers to negotiate and transact with buyers and government regulatory agencies, and serve as avenue for collective action.
- ✓ Relatively stable prices are guaranteed in these market models. Although it handles a limited volume of produce and farmers, it works in small-scale and crop-diversified settings.
- ✓ Farmers become sensitive to their product quality and become consistent in delivering the required volume of supply. Also, products have some form of traceability, which promotes accountability of farmers and allows for loyalty in supply and demand.
- ✓ Major challenges are: "pole-vaulting", dealing with shortfalls and demanded products which can't be supplied, product quality during extreme weather conditions, and relatively higher logistic costs.
- ✓ Both production and marketing players need to have some kind of advocacy to keep their grit in the kinds of marketing systems considering the constraints.



INTRODUCTION

The greatest cause of the poor performance of the agricultural sector in many countries has been the inefficiency of the marketing systems (Mariyono et al., 2019; USAID, 1991; Varadarajan, 1984). The status of these marketing and distribution systems is also affected by government policies and improving agricultural marketing systems can significantly impact the farming sector, subsequently affecting the pace and pattern of a country's agricultural development.

In the Philippines, various studies have pointed out the long and sometimes circuitous marketing channels and multiple transaction costs for fresh vegetables (Tagarino and Sim, 2015; Piadozo, 2007; Deomampo, 2005). Piadozo (2007) further said that there are huge marketing losses in the current marketing system. The detailed account of the conventional value chain of seven highland vegetables also points to similar results (Launio et al., 2021). These past and present results point to remaining gaps in the existing marketing chains and systems.

Another typical characteristic of the fresh vegetable market is the seasonality and extreme volatility in vegetable prices. Prices tend to be high in the lean season and low in the peak harvesting season (Barett and Dorosh, 1996; Duyan and Tagarino, 2014; and Xiong et al., 2018). Since farmers are price takers, they are usually at the losing end since whatever the prices are, traders generally get their profit share and pass on the lower price to the producers. This brief explores existing alternative or non-traditional marketing models of fresh agricultural products.



METHODOLOGY

The study employed the multiple case study research design. In-depth interviews with key informants, such as company CEOs or managers, and farmer-partners, were conducted using guide questions. Documents, websites, and social media such as Facebook pages and posts were also reviewed and utilized as data sources.

Whenever available and accessible, the major information covered during the interviews includes the following: history, marketing channel, key players and their roles, costs, margins, and constraints and opportunities. This documentation also covers the unique selling points and advocacies of these companies or groups.



FINDINGS

The study documented six cases of alternative markets, particularly their operation especially their marketing system, advocacies, constraints, and opportunities. These are 1) Organic farmers' market (case of BIGS Center); 2) Session Groceries; 3) Good Food Community 'Pamayanihan'; 4) Live Green International; 5) Semi Contract Growing; and 6) Direct Marketing.

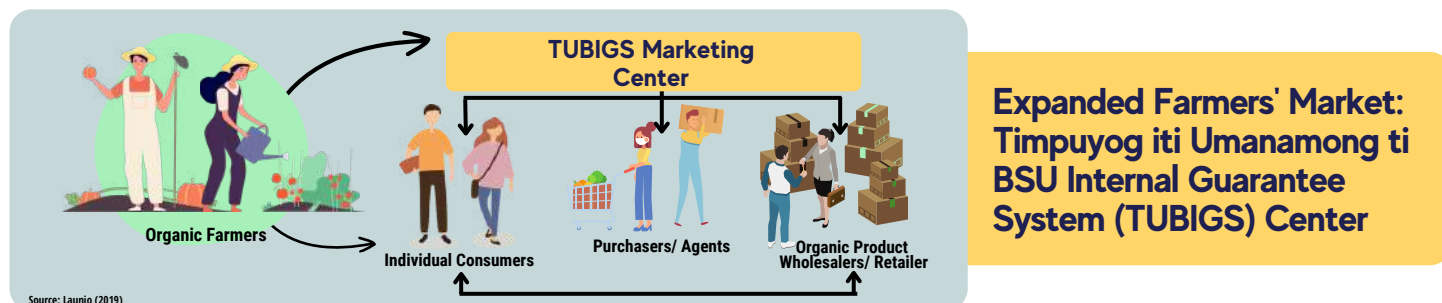


Figure 1. Expanded Organic Farmers' Market Model

This model, typical for organic fresh vegetables, is a case of an expanded organic farmers' market. TUBIGS is an organization of organic farmers who subscribe to the BSU Internal Guarantee System (BIGS). The BIGS is a set of standards that is a kind of internal control system (ICS) for group certification. Organic farmers who finished a previously 13-day and later, eight-day organic farming training, with inspected farms can become a member (S. Kudan, pers.comm.). Originally, BSU only offers training on organic farming, but eventually, the participants of these trainings formed an organization. Today, BSU continues to support them through the Office of Extension Services (OES) in terms of providing spot inspection or checking quality and whether the farmer-members continue to meet the BIGS standards. The OES also monitors compliance to the BIGS and suggests what crops are best to grow per geographic location and in cases of non-compliance. As to the organization's products, these are being handled at the TUBIGS Center, its physical store.

In terms of the operation, TUBIGS follows four market chains which are, 1) farmer sells directly to consumers who can be their neighbors or friends; 2) farmer delivers to BIGS (now TUBIGS) center and sell to walk-in or community consumers; 3) farmer delivers to TUBIGS center, which sells to wholesaler buyers/retailers via a purchaser or agent who transports orders through Victory Liner going to Manila; and 4) farmer delivers to TUBIGS Center, which sells to a direct wholesaler or retailer like Juan Organic. The farmers are paid after seven days or every Tuesday totaling the delivery of each farmer for the week with a deduction of 10% going to the TUBIGS Center. This is then deposited into the farmer's BSU Multi-purpose cooperative account. In 2019, TUBIGS farmers totaled 177 producing around 17,000 tons of organic highland vegetables, around 70% of which are marketed via the third market channel.

As members are organic farmers, they promote and advocate for safe food products and sustainable production systems. There are assigned farm codes by BIGS allowing traceability of food products to farmer-producers making them more accountable for their products and giving the customers opportunity to provide feedback or cultivate loyalty. Inclusivity is also promoted since most farmer-members are smallholder farmers with most farmers cultivating only 500 sqm to 1000 sqm for organic farming.

However, challenges are still seen such as, limited production due to natural calamities and difficulty in controlling pests and diseases, transportation logistics is inefficient as they need to deliver almost every day or at least 2-3 times a week, and "pole-vaulting" that occurs when other markets offer higher prices than TUBIGS center. The pole-vaulting issue was addressed by requiring farmer-members to deliver at least 20% of their total production (10% during peak season) to the BIGS center and prioritizing farms that consistently deliver to BIGS center whether prices are high or low and suffer 1-3% average of pull-out due to deteriorated delivery.

Overall, this type of alternative market offers a stable price for produce as prices are fixed for a year, and farmers are empowered to be entrepreneurs and can get income weekly.



INFORMING POLICY & PRACTICE

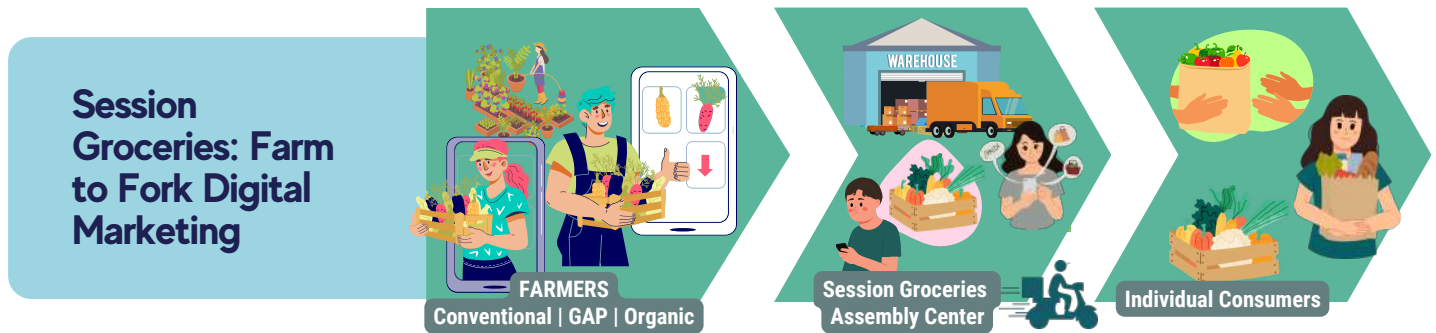


Figure 2. Farm-to-Fork digital marketing model

Session Groceries (SG) is an online platform that lets farmers sell their products directly to consumers. They already have an online selling platform but for non-agricultural products, however, due to the calamities that hit Benguet, some farmers approached the CEO and requested if they can sell their vegetables in the platform. Eventually this became possible as SG adjusted its app to facilitate digital marketing of fresh vegetables and fruits, capacitated the farmers in costing and pricing their products, and registering their farm businesses to BIR.

The marketing channel is farm-to-fork digital marketing. The farmer-members post their available vegetables and consumers order through the SG app. The farmers will then consolidate all the orders within the day and deliver the products to the SG assembly area, where all orders are delivered to Manila and other consumers. The price of the vegetables reflected on the SG app is a total of the production cost, farmers' 30% mark-up, and handling cost for SG. Delivery fee is charged to the consumer. From the delivery date, the farmers will be paid after 14 days that will be deposited to their bank accounts.

With the marketplace being an online platform, the challenges identified by the CEO are the inability of farmers to follow the guidelines of operations, the declining quality and quantity of farm products, shortfalls in demand or supply, and unavailable farm partners for certain products.

As SG supports farmers, it promotes their education and empowerment in having a business mindset, encouraging consumers to buy and support local farmers, use of eco-friendly packaging, and women empowerment as most of the farmer-members are women.

In this type of alternative market, their farmer-members get a 30% net margin or higher than the production unit cost with secure consumers. Also, although prices of their vegetables are higher than the wet market and the delivery fee is shouldered by the buyer, farmer-members can guarantee that the quality is good and is delivered right to the consumers' house, especially that their produce are easily traceable.

A feedback system is also available in the SG app so that consumers are able to interact directly with the farmers regarding orders or complaints.

Community Shared Agriculture

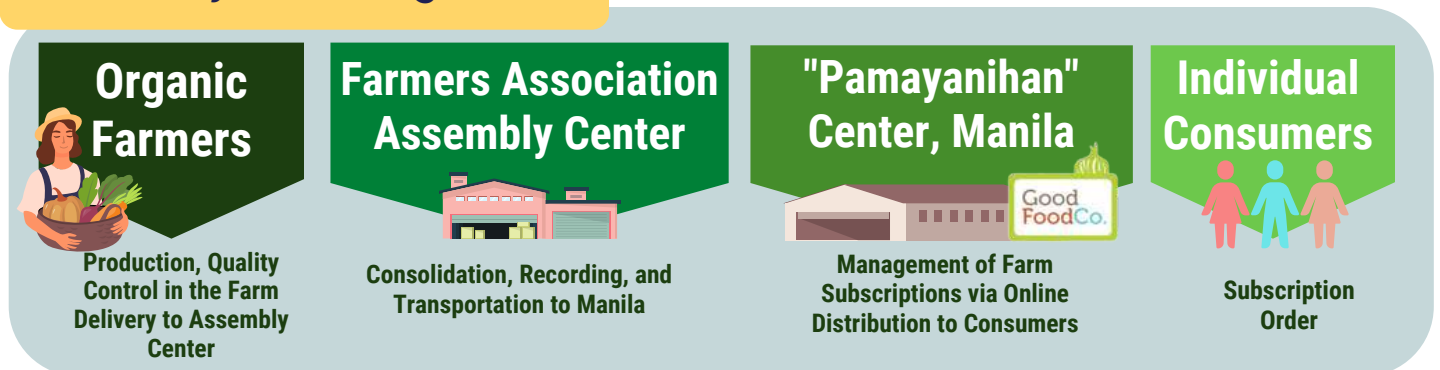


Figure 3. Good Food Community ("Pamayanihan") marketing model

Pamayanihan is also an e-commerce with an online platform where consumers can subscribe to package of vegetables or fruits.

The marketing channel is consumer and farmer forming collaboration through the system similar to the "community supported agriculture" popular in developed countries. A consumer, called a subscriber, pledges or pre-purchases farmers' product at the start of the season or prior to harvest; delivery is within a week. At the same time, it offers a retail system of Business-to-Business or Retailer-to-Retailer with delivery two times a week.

The vegetables sold are only organic products as it promotes safe food and farmer and local community empowerment. It especially encourages women farmers as they are perceived to

have more patience in producing and marketing even on small volume.

Challenges also include pole-vaulting, dealing with shortfalls when the farmer group is unable to meet the volume of order and have to request supply from another group, and unavailable supply of demanded products.

Even with these challenges, this type of alternative market offers a stable price where the farmer is paid 80% and the cooperative is paid 20% as the subscription price of consumers is times two of the price received by the farmers. Farmer organizations are being paid after 14 weeks through their bank accounts.

INFORMING POLICY & PRACTICE

Modified Contract Farming with Company: Certified Organic Vegetables



Figure 4. Live Green International, Inc., certified organic vegetables marketing model

Live Green International Inc. (LGI) is the largest supplier of certified organic fresh vegetables that uses modified contract farming for its supply of vegetables that are sold in supermarkets. The marketing system is modified contract farming since the company does not provide all the inputs and capital. Yet each farmer is assigned a certain crop and volume to produce. They have an assembly area located near the locality of the contracted farmers. The assembly area will repack the produce ready to be retailed or displayed at the supermarkets via merchandisers.

As to the buying price, the company normally discusses with farmer-cooperators and agrees on a fixed price, with the possibility of once a year change. (This policy changed in 2019 for some of their contracted farmers due to extreme price fluctuations in the market). The LGI has support from its foundation partners.

The challenges are: difficulty in conversion to certified organic production by the farmers, competitors that do not have quality control and just simply label their products as organic, logistics is not efficient, tax exemption and tax incentives are not yet enjoyed by organic companies, and wastage on pull-outs.

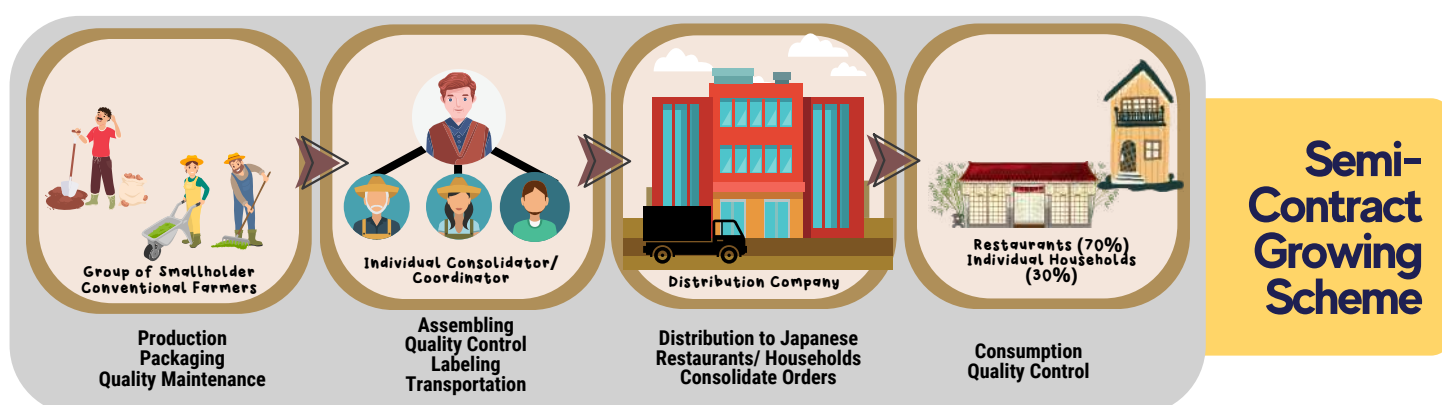


Figure 5.1. Farmer-Local Consolidator-Distributor-Consumer model



Figure 5.2. Farmer-Consolidator Group-Consumer model

This kind of market chain is shorter since the farmer delivers to the consolidator who delivers to the distribution company which has prior contracts and orders with restaurants, and individual households or group of households.

The quality control is done firsthand at the local assembly area and then again with the distributing company in Manila. The delivery is twice a week and vegetables supplied are more than 10-15 assorted vegetables.

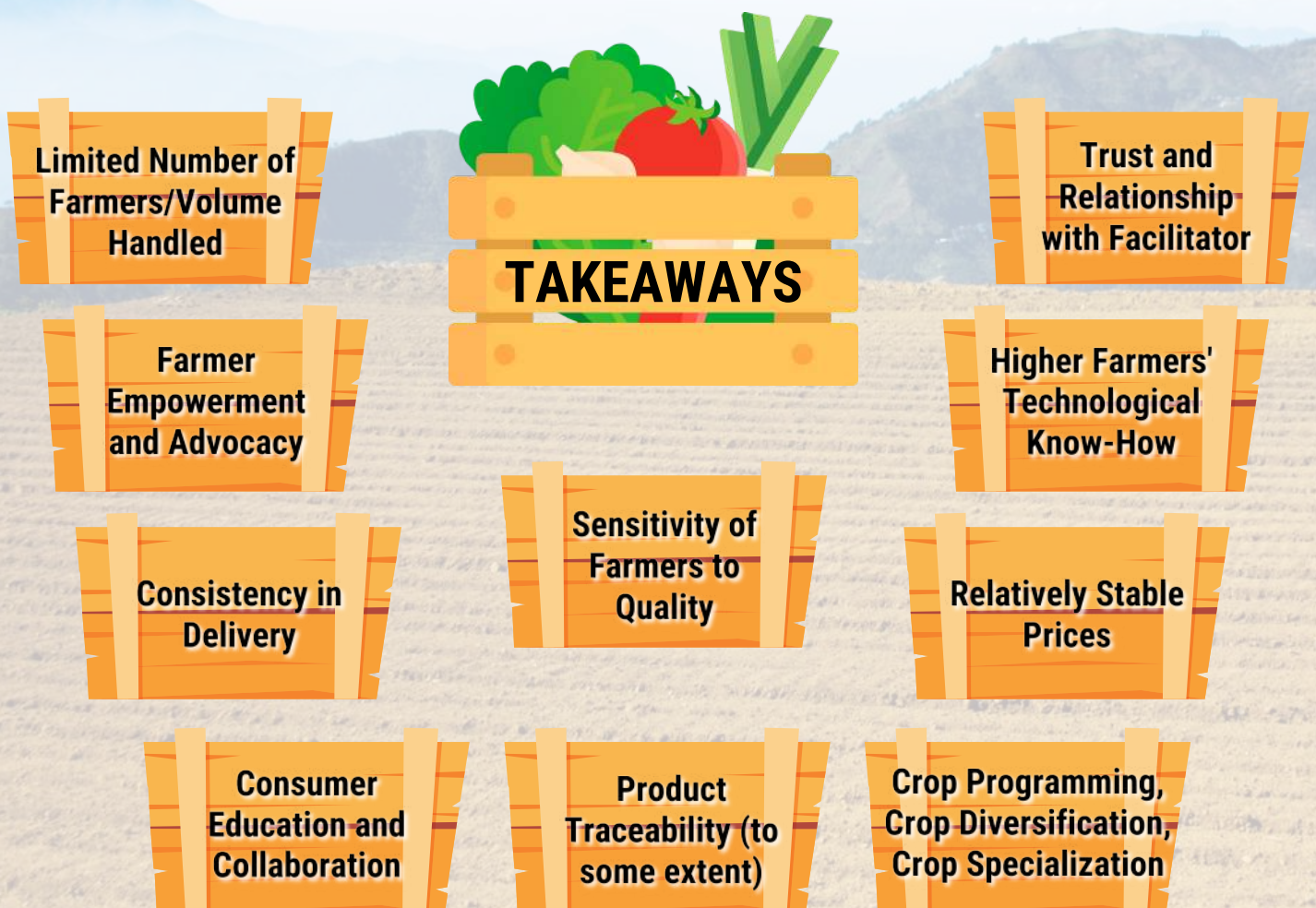
The farmer gets a 15%-30% higher price compared to the prevailing price at the trading post. In addition, if farmers deliver on Wednesday or Thursday, the farmer is paid on Thursday or Friday when the coordinator comes back from Manila.



Figure 6. Direct Marketing: Farmer-Farmer Association/ Cooperative-Consumer model



Figure 7. Direct Marketing in Agri-tourism Sites model





CALL TO ACTION

✓	Sustain and intensify support to farmer-associations, cooperatives, and advocacies of small organizations or companies piloting/providing alternate marketing systems for vegetables; sustain DA-KADIWA ni Ani at Kita program; ensure that "marginal" farmer associations are prioritized in any assistance and not result in inequality.
✓	Initiate national-funded programs on pro-active education among vegetable consumers (individuals and institutional buyers) to increase consumer-farmer/community collaboration (demand-side intervention).
✓	Intensify support to development and extension on these alternate marketing chains, especially supporting pilot business models and taking advantage of the natural experiments that emerged during the Covid-19 Pandemic.
✓	Intensify support to R&D on crop diversification and crop programming and associated crop management issues; development of decision support tools in relation to monitoring of planted area and prices of highland crops.
✓	Support/capitalize on existing platforms and high access to smartphones by farmers; more digital, financial, and entrepreneurial literacy trainings; ensure affordable/consistent access to WIFI and signal availability even in remotest areas.



MAJOR REFERENCES

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Various Session Groceries interview videos; Good Food Community brochure; Facebook pages posts



ABOUT THE MATERIAL

Informing Policy and Practice is published quarterly by the Institute of Social Research and Development and R & E Publications Office of Benguet State University. It synthesizes findings from research and development activities, or presents results of quick survey and opinion poll on social, economic, and policy issues and concerns affecting the Cordillera region. It also distills the key messages and provides recommendation for the information and consideration of relevant stakeholders and policymakers.

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